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Brands in trouble

Marketers say they want to return to brand-building in the package-goods industry. But consumers are tuning out ad messages and flocking to discount stores. Is Sam Walton's retailing vision a force for brand-building, or brand-bashing? See Page 16.

1992: Is the ad industry ready? See International Special Report

Retailers find good holiday media deals

By Kate Fitzgerald

Two major retailers are taking advantage of the soft fourth-quarter marketplace by buying media at discount rates.

Sears, Roebuck & Co. and Toys "R" Us say they've managed to increase their media presence this holiday season without stepping up their ad spending budgets, a move they hope will boost sales.

Mattel also said it's increased its TV advertising without fattening its budget, due to media buying bargains.

"The market's been soft like the economy, and it's worked in favor of retailers that are getting more frequency and effectiveness for their advertising dollars," said Allen Bohbot, president of Bohbot Communications, a New York-based toy media-buying company.

Giant toy retailer Toys "R" Us opened 50 new stores this year and managed to stretch its media plan to include several new markets without spending any more money, thanks to "more attractive" media buys, Mr. Bohbot said.

J. Walter Thompson USA, New York, handles the creative portion of the $20 million account.

Sears' holiday TV campaign will also be its "heaviest ever," said VP-Marketing Matt Howard, but the retailer won't spend more money than last year.

Sears is counting on new TV spots promoting its reliability to drive sales during the holidays.

Sears snared "excellent" electronic media buys for fourth-quarter advertising, said S. Scott Harding, Sears' national advertising manager.

Sears maximized the oppor-

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Sylvia Bichnevicius (l.) and Paula Douglass took advantage of the post-Thanksgiving holiday sales last week at Marshall Field's Water Tower store in Chicago.

Shoppers launch cautious holiday

An Ad Age Roundup

Big sales, low prices and contests were the reasons most shoppers hurried to the malls on Nov. 29 for the kickoff of the holiday selling season.

Retailers and consumers cited the bleak economy as the reason many people are holding off on purchases this year, except for items with marked-down prices.

But traffic was heavy at many stores touting sales, with the biggest crowds at discount outlets and strip malls with a high concentration of lower-price merchandise.

Many stores opened early Friday, and some reported brisk customer traffic for sales that ended before noon.

Kmart Corp. went one step further by opening its stores nationwide on Thanksgiving Day for the first time ever and advertising that fact in national newspapers. All other major retailers were closed that day.

The nation's No. 2 retailer successfully tested Thanksgiving Day hours in its Detroit-area stores last year.

Kmart officials weren't available to comment about the tactic's results, but individual store managers said customers

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Kodak's Olympic commercial simulates a stadium full of people holding up individual cards that create giant images. Actually, only 200 people were there; computer generated images supplied the rest.

Kodak may hunt for 3rd agency

Film marketer focuses on global strategy

By Alison Fahey

ROCHESTER, N.Y.—Eastman Kodak Co. is restructuring its marketing communications department, and the move is expected to result in an agency roster change.

The restructuring will "allow us to take a more global approach to all our communications," said Richard Bartlett, Kodak's VP-director of communications for imaging. That may mean a third major worldwide agency could be added, he said.

"Part of that exercise is to look at our agencies," he said. "Our agency structure will have to change to mirror our new structure."

Kodak's current lead worldwide agencies are J. Walter Thompson Co., which handles film products, and Young & Rubicam, agency for camera advertising.

Mr. Bartlett said several scenarios are under consideration and the company is examining its agency situation "without any preconceived ideas."

"We could go to a consumer photography agency of record all over the world" for product or future corporate image advertising, he said.

"Would we consider a third agency down the line? Yes, I'm not ruling out anything," Mr. Bartlett said.

"We are very satisfied with the quality of both Y&R and JWT. . . . But as our business grows and segments, there may be an opportunity for another agency. . . . There could be an agency charged with Kodak brand enhancement globally.

"As we grow, our advertising expenditures will grow," Mr. Bartlett said. In 1990, Kodak spent $665 million on measured and unmeasured media in the

(Continued on Page 48)

New product search

Campbell looks for growth in different areas

By Judann Dagnoli

Campbell Soup Co. is searching for new products, a hunt that could take the food marketer beyond its existing product categories.

"There has been a philosophy change, as instituted by [Chairman-CEO] David Johnson to look at new opportunities," said Campbell President Herb Baum.

The company will explore ways to move brand names established in one category, such as Prego spaghetti sauce, into related categories, such as bread crumbs and olive oil, Mr. Baum said.

"Earlier, we had stuck to what we knew best. But now, if someone has a good idea, we're talking about trying it," he said.

"There has been a philosophy change . . . to look at new opportunities."

Citing another example, Mr. Baum said a brand like Open Pit barbecue sauce could be extended into charcoal briquets. Or Great Starts, Campbell's frozen breakfast line, could be expanded into waffles, he said.

"We've just scratched the surface on Great Starts," Mr. Baum said.

As part of the initiative, the company will become more flexible in other ways, he said, such as experimenting with heavy spending tests for some of its lines.

Still, Campbell will be cautious in testing these new ideas and highly selective in how far it will stretch its cross-branding moves,

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LAST MINUTE NEWS

Nike told to halt Side 1 line

LOS ANGELES—Nike has been ordered to cease selling or advertising its Side 1 women's shoe and accessory line pending trial of a trademark infringement lawsuit brought by Sideout Sport, a sportswear marketer. U.S. District Judge David Kenyon issued a preliminary injunction to keep Nike from using its Side 1 logo. Wieden & Kennedy, Portland, Ore., is Nike's agency.

Mercedes review under way

MONTVALE, N.J.—Mercedes-Benz of North America has set an initial list of agencies to consider for its estimated $100 million account. Among agencies said by sources to

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("Creativity" is available on request, call 1-800-678-9595.)

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Clorox faces seizure

FDA seeks revised Take Heart dressing label

By Steven W. Colford

WASHINGTON—A senior Food & Drug Administration official indicated Friday that Clorox Co.'s Take Heart salad dressing could be seized if the company doesn't comply with an order to change its label.

The FDA's battle with Clorox began with a September letter to the company's president ordering several labeling changes for Take Heart, the company's successful entry in the low-fat, low-cholesterol dressing market.

After a meeting with the FDA, Clorox officials promised to make all but one of the revisions, said Gene Newberry, deputy director of the FDA's Division of Regulatory Guidance. He wouldn't identify the change Clorox refused to make.

But even after the meeting, Mr. Newberry said, Clorox was bound by the original letter to offer a written response to the ordered changes. Clorox hasn't yet offered that written response, he said.

On Nov. 27, Sandy Sullivan, Clorox's manager of marketing communications, declined comment on the FDA actions, saying it was "inappropriate" to respond since Clorox was in discussions with the agency.

"The ball's in our court, and at this point, we could either forget about it, seize the product or get an injunction," Mr. Newberry said.

"The ball's in our court, and at this point, we could either forget about it, seize the product or get an injunction."

Among the problems cited by the FDA were the placement on the Take Heart label of a heart with the term "heart healthy" flagged and "Take Heart" prominently displayed.

Those elements "cause these goods to be misbranded . . . because they represent and suggest that these products will provide a benefit to the heart when . . . total dietary pattern and overall weight control . . . is necessary to achieve a healthy heart."

The agency also said the statement "fat free" was misleading because the product "was formulated with partially hydrogenated soybean oil which is 100% fat" and the "cholesterol free" term on the label was misleading "because it implies that these products normally contain cholesterol."

The FDA also said the label's makeup and the typesize of labeling information violated federal regulations.

If the FDA opts for seizure, it would be the agency's first since its April confiscation of thousands of cases of Procter & Gamble Co.'s Citrus Hill Fresh Choice orange juice. The seizure came after repeated warnings to P&G to stop using "fresh" in the product's name since it was processed orange juice.

That seizure was enough to win the attention of other marketers who also had ignored FDA orders. Ragu Foods, Citrus World and others quickly agreed to similar FDA label-change orders. □

ActMedia company for sale

By Alison Fahey

ActMedia, the largest in-store marketing company in the U.S., is for sale, but the buyer also will have to acquire the parent company's six TV and 10 radio stations.

Debt-laden Heritage Media Corp. is exploring several "strategic options," including an outright sale of the company, but insisted its "crown jewel," ActMedia, won't be spun off.

Heritage, whose broadcast properties include TV and radio stations, recently hired Goldman, Sachs & Co. to "assist it in a review of strategic options . . . designed to maximize shareholder value," according to a statement.

"We would entertain a sale of the entire company but we would not under any circumstances [separately] sell ActMedia," said David Walthall, Heritage president. "The only way someone can own ActMedia is to buy the whole company."

ActMedia places ads in supermarket aisles, carts and on shelves.

Mr. Walthall said if Heritage sold off its broadcast assets and was left only with ActMedia, the company would then be taken public.

Another scenario Heritage would consider is bringing in a "strategic minority partner" with ActMedia.

Heritage was formed in 1987 by Chairman James Hoak who led a $225 million leveraged buyout of Heritage Communications' broadcast assets.

That transaction came as Heritage Communications merged its cable properties with Tele-Communications Inc., the cable TV company led by John Malone.

ActMedia was acquired in 1989 for about $180 million. Heritage also owns POP Radio Corp., which provides customized, ad-supported radio broadcasts to supermarkets.

At the end of 1989, Heritage had revenues of $165 million, operating cash flow of $37.9 million and long-term debt of about $282 million.

Heritage "is a highly leveraged company and Wall Street has said it doesn't like highly leveraged companies anymore," said Wayne LoCurto, ActMedia's president-ceo.

Heritage has a debt payment to TCI due in July 1994 for $125 million, he said.

But Mr. Walthall said the note could be refinanced, adding, "There are some financial opportunities that are available if someone had deeper pockets than us." □

Soviet TV sets first ad guidelines

By Betsy McKay

MOSCOW—Soviet state TV has set advertising guidelines for the first time since it began airing commercials two years ago.

Gosteleradio Chairman Yegor Yakovlev last week announced regulations to control content, fees and placement of commercials. He also said there are plans to create a single department to oversee advertising.

The new regulations forbid commercials for alcohol and tobacco or spots with pornography or racial slurs.

While Gosteleradio officially says it has never accepted tobacco spots, some TV officials, citing the company's desperate need for hard currency, said as recently as two months ago they would have accepted tobacco commercials for Western currency.

Now, however, Western tobacco spots won't be accepted, "even if they offer us dollars," said Victor Oskolkov, programming director.

The new regulations also prohibit airing commercials during news, religious and children's programs.

Also, ad time may not exceed 5% of any program's total airtime, and movies may be interrupted for commercials only once every 45 minutes.

He said proposed rates were between $5,000 and $10,000 for a 30-second spot.

Previously, there were few pricing standards. Rates varied drastically, depending on which unit of Gosteleradio was contacted about placement.

To coordinate ad placement, a central advertising department is slated to be operational by mid-month, he said. Until then, individual program producers can still cut their own deals, he added.

Mr. Oskolkov's group, which controls airtime between shows, has "many" spots, mostly Soviet, running currently, he said. His department keeps 50% of its profits to buy imported equipment. The remainder goes to Gosteleradio.

Mr. Oskolkov said Western interest has grown in the last month, citing Russia's positive moves toward a market economy as possible incentives for Western companies.

He is negotiating with a Japanese company as well as Hajo Valk, regional director for central Europe, and Simon Goode, corporate development director, Saatchi & Saatchi Advertising Worldwide, London, about the placement of Western advertising, possibly during the 1992 Winter Olympics coverage. □

Brands in trouble

As brand loyalty crumbles, marketers look for new answers

By Julie Liesse

Brands are under siege—and losing the battle.

Once the foundation of the marketing world, package-goods companies are being buffeted by internal and external forces threatening the future of their brands.

Marketers have made it easy for consumers to trade down and tune out presumably venerable brand names—by siphoning ad dollars to fund trade promotions, by producing all too similar ad messages, by losing the edge in product innovation.

While such top-flight product marketers as Kellogg Co. and Coca-Cola Co. seem to stumble, retailers including Wal-Mart Stores, Target Stores and Price Club are proving they understand the consumer of the 1990s. In the process, they've become arguably the best U.S. marketers.

By playing price as a trump card, these retailers are diverting consumer loyalty from brands to themselves.

At the center of this shift in how Americans shop are the package-goods industry's brand names, more vulnerable than ever. Will they survive the changing landscape? If so, in what form? Is the industry's concern about a return to brand-building too little and too late?

Eroding loyalty

The future of brands is of critical importance not just to marketers, but to retailers, ad agencies and the media.

"So much of what we take for granted comes from brands—all of our media systems depend on brand marketing," says Don Schultz, professor in the integrated advertising/marketing communications program of Northwestern University's Medill School of Journalism.

Logically, as the time pressures of modern life grow, the reliance on brands should be growing, too.

"A brand is a memory shortcut," says Russ Ferstandig, a practicing psychiatrist and head of Competitive Advantage Consulting.

Brands are "guideposts," says Marylin Silverman, exec VP-director of strategic planning and international research for Backer Spielvogel Bates, New York.

"Brand credibility brings a convenience of decisionmaking into consumers' lives," says Dave Murphy, president of the Betty Crocker division of General Mills.

Is that still true today?

The Roper Organization for a decade has measured brand loyalty to a broad group of package goods. Three years ago, 56% of those polled by Roper said they know what brand they want to buy when they enter a store. That figure fell to 53% in April 1990 and plunged to 46% by mid-1991.

"The recession has served as a catalyst, accelerating the underlying trends toward eroding brand loyalty," says Bradford Fay, project director at Roper. "But the trend preceded the recession and may well outlast it."

DDB Needham Worldwide's 15-year-old study of consumer habits has shown a drop in loyalty to well-known brands. The number of consumers saying they try to stick to well-known brand names has fallen to about 61% now from 75% in the late '70s. The big drop occurred in the recession of the early '80s—and "brand loyalty has never fuliy recovered from that drop," says Martin Horn, VP-associate director of the Delta Group research arm of DDB Needham, Chicago.

These recessionary trends, combined with the changed role of brands, mean the '90s have become "one of the most dynamic periods ever for brand loyalty," says Sanford Bredine, president of Bishop/Bredine Associates, a marketing agency.

"The relationship of a brand with a consumer in the 1960s was usually as a problem solver," Backer's Ms. Silverman says. "Then as brands became less and less different in the '70s and '80s, they were sold as badges."

It's not unusual that perfumes or apparel are bought and sold on their emotional values. But in the continuing evolution of brand messages, everyday products like toothpaste and frozen dinners today use marketing messages based not on practical value or product differentiation but on their emotional appeal.

What makes for brand loyalty today are all the intangibles—it's finding a consumer's need and filling it, whether it be sexual aspirations, social needs or self-esteem, says Tom Pirko, principal of Bev-Mark, a food and beverage consultancy.

Consumers, particularly the MTV generation, are comfortable with that.

"It's OK to say, 'Part of the reason I drink Pepsi is that it's cooler than Coke,' " says Melody Douglas-Tate, senior VP-group research director at Leo Burnett USA, Chicago.

If a brand's advantage over its competitor is expressed as a largely emotional one, however, its success hinges more than ever on advertising. And many experts believe not only that advertising isn't working but that emotional messages aren't what consumers want to hear today.

"We have a marketplace that's overglutted with brands that are undifferentiated —brands that have not really identified themselves to the consumer as products that can't be substituted," Backer's Ms. Silverman says.

Part of the problem is the number of new products and new brands arriving on store shelves each year. The average supermarket carries more than 16,000 items, a 45.5% increase since 1985.

"Just the sheer proliferation of brand names has led to consumers viewing them as parity," says DDB Needham's Mr. Horn.

But experts also blame advertising.

"In package goods, the difference between one product and another is often a differentiated idea that comes out of the marketing," says Laurel Cutler, vice chairman-worldwide director of marketing planning for FCB/Leber Katz Partners, New York. "As brands have to deal with an ever-smarter, ever-more pinched consumer, they must keep differentiating to earn the loyalty of their franchise. Some are doing that; some aren't."

A tenet of today's market research is that consumers formerly loyal to a single brand in a given category are increasingly becoming "brand switchers": They're loyal to a set of brands they view as essentially equal. Each individual purchase decision is based on shelf price, the availability of a coupon or other factors unrelated to the brand's equity.

Loyalty gives way to economics

Percent of respondents saying, "I usually know the brand I will buy and get that brand."

Brand category	April '90	April '91
Mayonnaise	62%	56%
Coffee	63%	53%
Beer	62%	52%
Canned soup	55%	47%
Tea bags	51%	43%
Liquor	55%	43%
Cold cereal	47%	42%
Ice cream	46%	37%
Orange juice	39%	36%
Dry soup mix	39%	32%
Plastic wrap	31%	26%

Figures represent % of product buyers and other respondents offering an opinion to the question, from a survey of 2,000 adults nationwide. Source: Roper Organization

The erosion of ad dollars has exacerbated the problem, says Richard Furash, national director-consumer products for Deloitte & Touche's consultancy group.

"The problem with branding today is that consumer goods marketers aren't investing in their brands; 70% of their marketing monies are being spent to push products through the retail channel," he says.

"Then it becomes a self-fulfilling prophecy: Manufacturers decreasing the amount of advertising behind their brands is one big reason people don't have the same brand loyalties they used to," Mr. Furash says.

An ongoing analysis of brand loyalty trends by the NPD Group arm of A.C. Nielsen Co. shows consumer loyalty to a brand usually declines when the brand doesn't maintain its share of voice in its category.

The growth of couponing has even changed the habits of those consumers already tagged "price-driven" by Leo Burnett USA's research department. Among those price-oriented consumers, many who were "brand experimental"—occasionally trying a new brand if they held a coupon for it—are now "brand irrelevant."

It's not just the message, though; differences between brands have eroded as well.

"The problem is that the majority of R&D is set to develop parity products—and then the majority of advertising is offering parity claims," says Gary Stibel, principal of the New England Consulting Group. "Knowing that both Eveready and Duracell are good is *not* OK. Advertising that communicates that products are simply 'good' is unaffordable."

Even if a brand does claim superiority, consumers may not respond.

"Whereas brands formerly were given the benefit of the doubt, brands now have to earn your trust," Competitive Advantage's Mr. Ferstandig says. "They are deceptors until proven innocent."

With pressure on to increase sales and profits in a country with flat population growth, package-goods marketers are cutting product costs—usually under the "productivity" banner. But by shaving a little here and a little there off product quality, marketers are at least partly responsible for the gap in consumer trust.

"Product quality has become a problem," says Scott Rahn, VP-corporate development for ConAgra, the country's No. 2 food marketer. "Some companies have sacrificed quality for making more money or holding to a specific price point. It's a valid criticism."

The trend in product quality alarms Tod Johnson, president of NPD Group. NPD regularly uses its focus groups to test product reformulations for its marketer clients.

"When we tested products in the '60s and '70s, I'd say 75% of the changes were product improvements," he says. "Today, two-thirds or even three-quarters of the testing we do is asking for consumer opinion on cost reductions. Product quality is being ignored."

National brands also lose their cachet when confronted by today's generation of lower-price store brands. Unlike their generic ancestors of the '70s, these brand alternatives make quality a priority, a critical ingredient to bargain-hunting shoppers. Private-label sales in supermarkets are at $24.7 billion, up 13% since 1989, Nielsen Marketing Research says, and are making serious inroads into classic marketing categories like ready-to-eat cereal, pet food and beverages.

"If everyone takes advantage, like the cereal people do—by raising prices at every opportunity—there will be a problem for brands," says retail consultant Gene Hoffman, of Corporate Strategies International. "Marketers will have created too many price voids for private-label to move in."

There's also a quality void.

"We tend to look at brand support in terms of media support, but as a brand

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Brands in trouble

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leader, you have to continue to innovate," says Paul Walsh, joint chief operating officer of Grand Metropolitan Food Sector and head of Pillsbury Co. "When times are tough, the easiest things to cut are new products and R&D. If you do that over a protracted period of time, you're inviting private-label into your category."

Conventional wisdom holds that private-label products fare well in tough economic times, when shoppers feel a need to trade down.

As consumers "trade down" this time around, "They're finding the quality of the private-label products is better," says Mr. Furash of Deloitte & Touche. "So when all is said and done, private-label is going to have gained more long-term share in this recession."

A shift in power

Private-label products are only the tip of the iceberg. Retailers are playing a broader and fast-growing role in controlling consumers' brand loyalties.

At a 1990 meeting, Ralston Purina Co. Chairman-CEO William Stiritz was asked, by a Wall Street analyst eager to see better profits, when his company could raise the price of Eveready batteries. His answer was both frustrated and matter of fact.

"One of the dominant trends in our business is the tilting of power to mass merchandisers and away from grocery chains and drug chains—whether they recognize it or not," Mr. Stiritz said. As a result, he said, "We may now be seeing our peak profit margins—we're getting drug-product margins on cereals, for God's sake. We're seeing the emergence of Wal-Mart—and Wal-Mart pricing—as the prototype for the retail business. It will happen, long-term."

Long-term? In just two years, Wal-Mart has added 357 stores, for a total of 1,882, with 1990 sales of $32.6 billion. Its store count has doubled in five years; its sales in four years.

In those two years, deep-discount drug chains Phar-Mor, Drug Emporium and F&M Distributors together have opened more than 200 new outlets, for 616 total stores nationwide. Estimates show warehouse clubs ringing up $32 billion in sales in 1992, nearly double the $17 billion total from 1989.

"The marketing world has underestimated some of the changes that have taken place at the retail level," says Sid Doolittle, managing partner at McMillan/-Doolittle, a retail consultancy. "The marketplace will never be the same again."

For now, brands are an important ingredient in the new discount channel.

"The fundamental thrust of a Drug Emporium, or a Pace warehouse club, is to make a price impression," says consultant Mr. Hoffman, a former president of Kroger Co. and Super Valu Stores. "Well, the best way to make a price impression is with a recognized brand—a national brand rather than a private brand. When these retailers can take a brand that's constantly escalating in price and discount it, the brands are serving a purpose for these retailers."

But a tour of a Phar-Mor or warehouse club is evidence that brands aren't necessarily treated as valuable allies.

If one strength of brands is that they allow consumers to buy on habit, without making decisions, discounters' merchandising strategy seems to defeat that goal; giving consumers a consistent selection of merchandise frequently takes a back seat to "power buying": buying large quantities at discount prices.

"These discounters often buy what they can get a good deal on—and if they don't have it the next week, they don't care," says consultant Mr. Bredine.

Through their inventory choices—which frequently include making one brand the "exclusive" supplier in a given category—discounters have eliminated brand choice in many aisles.

"These retailers have narrowed the purchase decision for consumers, while still offering the right items, or at least the right number of items," BevMark's Mr. Pirko says. "But in the transition, brands become less important and price more important to the purchase decision."

Despite the care that manufacturers expend on packaging, their products are often merchandised in haphazard fashion.

"There are floor displays all over the place in many of these stores," says Christie Hunt, associate at Willard Bishop Consulting. "It's a style that in general runs contrary to the careful merchandising philosophy of supermarkets."

Simply, the discount channel's focus on saving money—from "everyday low price" to double couponing—relegates choosing a brand to an afterthought.

"It's what we call the commoditization of American package goods," New England Consulting Group's Mr. Stibel says. "It's not just in Wal-Marts, but also in Food Lions and Krogers: Retailers are driving toward 'everyday low pricing' in a more effective fashion. In that setup, the value of the brand will deteriorate over time, right there in the stores."

Consumers are shopping at the new discount outlets because saving money makes them feel good—and paying more makes them feel chumped.

"With all the options out there today, the consumer is asking, 'Am I stupid to maintain my brand loyalty?' " Competitive Advantage's Mr. Ferstandig says. "On the other hand, saving money offers consumers the power of doing something smart; it's a positive stroke. You'd be surprised at the number of consumers of all income levels who are terribly proud when they save $1.50."

The recession has made saving money a more serious proposition.

"The need for minimal price outlay is going to grow as our society polarizes based on income," says Josh McQueen, exec VP-director of research at Leo Burnett USA, Chicago. "For many consumers, what that will mean is they'll be trying to get 'good enough' quality at the lowest price."

High-income bargain hunters

But a surprising number of discount shoppers are not those who *need* to save money. The typical frequent buyer at a discount drugstore has a household income higher than $30,000, according to Nielsen Marketing Research information. Consumers with a household income greater than $50,000 are 38% more likely to be frequent buyers at warehouse clubs than the average.

The lesson: It's not only the prices that draw shoppers to discount stores.

A trip to a warehouse club is "usually a bulk-up trip, for people who don't like to have to buy these products all the time," says Glen Terbeek, managing partner of the food and package-goods industry program at Andersen Consulting. "These consumers have the financial and storage capacity to stock up. And they're buying products for which the only possible shopping enjoyment is getting them cheaper."

Warehouse club shopping can be fun in its own way, though. Although package-goods marketers largely are failing to captivate consumers with their new products, consumers are intrigued with what they find at warehouse clubs: odd sizes and packaging, foodservice and institutional products, things they can't find anywhere else.

Although the reality is that many discounters carry only one brand of plastic wrap, light bulb or battery, Willard Bishop's Ms. Hunt maintains consumer perceptions may be different.

"Consumers may be looking at the deep-discount drugstores, for instance, as providing *more* variety than supermarkets. Usually each chain has a couple of key categories, like haircare or cosmetics, in which they carry unusual products and lots of variety. And they make that big variety statement as soon as you walk in the store."

The future of brands

So where do brands fit into this emerging discount channel of retailing? What happens when Wal-Mart, Target, Drug Emporium, Sam's Club, Pace Membership Warehouse, F&M and the rest have blanketed the country?

"At some point, most package goods will be sold in these high-volume emporiums," Corporate Strategies' Mr. Hoffman says. "Then, an individual store's ability to [establish and promote a] price differential disappears, because all the retailers price

(Continued on Page 50)

Lever boss: Brands never stronger

David Webb, as president-ceo of Lever Bros., is steward of some of the most enduring brand names, including Wisk, Dove and All. Just this year, the new Lever 2000 helped propel the company to category leadership in bar soaps.

Unlike some executives who fear for the future of brands, Mr. Webb, a 40-year veteran of the marketing wars, is convinced of their staying power. He explains why to Advertising Age *Reporter Judann Dagnoli.*

Advertising Age: *How do you feel about the strength of brands and the state of brand marketing today?*

Mr. Webb: My deep belief—and I've got ample evidence to prove this—is that brands are stronger today than they have ever been. If you go to any supermarket shelf in this country, the dominant position will be held by the megabrands that have been built by a combination of two things: performance and consistent advertising.

AA: *Advertising, then, is a means of communicating performance?*

Mr. Webb: Lever 2000 . . . has taken eight years of the most sophisticated research to produce. . . . It was national only a month ago, yet that brand is now the biggest-selling brand in Wal-Mart. It's taken Lever to the leading position in the personal washing market for the first time in 75 years. . . . It's done that because it is a better-performing product.

It is performance and delivery of results that make products. What advertising does is to turn superior technology into a long-lasting asset, because the advertising turns that technology into a property.

AA: *How does promotion fit in? Is it at odds with advertising?*

Mr. Webb: No amount of advertising or, in my view, price cutting will take the place of performance and quality. No amount of advertising can save a bad product. Never has and never will. So if you look at the market today, what has happened as a result of the increasing skill of retailers is that the test which both performance and advertising have to go through to get [a product] to the top is an even tougher test than before.

So, in fact, it's actually that the stronger brands are stronger. Because if you're raising the bar of testing, and add in the kind of muscle that the major retailers are able to bring in terms of [ad inserts] and half-price sales, that those [measures] have even more likelihood to sort the sheep from the goats. . . .

This is making even more important the quality and the amount of advertising.

AA: *But not all brands can afford to advertise.*

Mr. Webb: Weaker brands in that situation do not enjoy the luxury of being able to . . . advertise. So the field of advertising is left to the strong brands and the powerful brands and the brands that have the strength, power and muscle to both fight that battle . . . and retain the loyalty and commitment of your consumers. . . .

With weaker brands, yes, they fall by the wayside and they can no longer fight on two fronts. They can't afford to offer the trade huge discounts, sell at a low net price and put money in budgets. But the powerful brands, of course they can. . . .

ONE ON ONE

Doug Goodman

Lever Bros.' David Webb says analysis will show traditional leading brands are still on top.

So, do I feel good about the state of brand marketing? I have never felt better about it in all my life.

AA: *Why do most marketers appear to be cutting budgets in favor of promotion?*

Mr. Webb: That's not true. Even the evidence doesn't bear that out. We are spending more on our advertising budgets this year than we have ever spent. Procter & Gamble is spending more than they have ever spent. . . .

It's the ones with the weaker brands. I have to do it with some of my weaker brands; I'm not trying to be holier than thou. If I depended on my weaker brands, I wouldn't be in business. That's not to say I don't have room for them in my total portfolio.

AA: *Is there a point where ad spending cuts are merited?*

Mr. Webb: If I am going to trim budgets, I will have a very clear set of priorities. The first is, when I have a clear message of product performance to impart, that my brand would not be selling to the consumer if I hadn't told them about it. The trade wouldn't be featuring it. There are retailers who will not accept a new product until they have seen the advertising. . . .

We actually have little [videocassette] units that we take to the retailer and run commercials. Not because we want to but because he insists on it. With one recent brand, I actually had a situation where I had to show an animatic because I didn't have the commercial ready in time.

AA: *There have been numerous reports about strained relations between manufacturers and the retail trade.*

Mr. Webb: The American retailer's been very shrewd. When we sit down . . . we take our total management team. [Retailers] want to see our development chemist, our computer experts. We explain our electronic data. It's a business collaboration. The relationship is not one of hostility. □

OCTOBER AD RESULTS

Quarter starts slow

Top 10 ad categories all down for first time

By Scott Donaton

The ride is still downhill.

Magazine ad pages and revenue for the first month of the fourth quarter were consistent with the downward trend through the third quarter.

MEDIA WORKS

Ad pages for October totaled 15,982, a 9.8% drop from the same month last year, Publishers Information Bureau reports. Revenues were $674.5 million, a 5.1% decline. Through October, pages fell 10% to 125,224.5; revenues fell 4.5% to $5.18 billion.

For the first time this year, all the top 10 ad categories posted declines, when a steep drop in computer and office equipment pages brought the year-to-date figures down 3.1% to 4,555.6. Ad pages for the month fell 22.8% to 648.1 for the category.

Of the 168 publications tracked by PIB—including 164 standalone magazines and four Sunday titles—125 of them posted ad page declines after 10 months. Forty-two showed increases for the period. One, Conde Nast Publications' *Allure*, was launched this year and couldn't be compared with 1990. The 8-month-old beauty magazine carried 232.5 pages through October.

Of the 125 magazines showing losses, 79 were down at least 10% from the same period last year.

The steepest percentage decline through October was at *US*; the monthly's pages fell 38.5% to 362. *Art & Antiques'* pages were down 36.1% to 437.5. *Corporate Finance* was down 35.1% with 193.2 pages. *Financial World's* 551 pages were down 35%, while *Town & Country's* 835.7 pages marked a 33.7% decline.

On the plus side, *Compute* posted the highest percentage gain through October: Its 681.2 pages were up 589.5% over 1990's 98.8. *Walking's* 174.7 pages were up 56.4%. *Country America* was up 40.5% to 361.5 pages. *Success* carried 369.7 pages, up 28.9%. And *Entrepreneurial Woman's* 329.9 pages were up 27.5%.

Newsweeklies continued to be among the hardest hit by the fall-off in pages. *Time* suffered a 22.7% downturn through October, carrying 1,669.5 pages.

U.S. News & World Report passed *Newsweek* after 10 months to take the No. 2 spot with 1,539.1 pages, down 4.7%. *Newsweek* was down 16.8% with 1,495.7 pages.

The three newsweeklies combined carried 867.8 fewer ad pages through October compared with the same period last year, down 15.6%.

Among women's service titles, five of the Seven Sisters were down in pages through October. *Good Housekeeping* led the field, despite a 7.1% drop to 1,289.3 pages.

Family Circle ranked second with 1,196.1 pages, an 11.2% fall. *Ladies' Home Journal* followed with 1,193.9 pages, down 1.7%. Also down were *Woman's Day* (1,022.5 pages, down 12.1%) and *Redbook* (889.5 pages, down 6.3%).

Better Homes & Gardens was up 1.5% with 1,037.8 pages; *McCall's* was up 3.5% with 835.4 pages.

Travel books appear to have made a healthy comeback after watching pages dive in the first quarter because of the Persian Gulf War.

Category leader *Travel & Leisure* carried 1,095.3 pages through October, a decline of only 3%. *Conde Nast Traveler*, whose pages fell 15.6% in the first quarter, was virtually flat after 10 months with 856.4 pages, down 0.3%. *Travel Holiday* was up 6.2% with 395.4 pages.

European Travel & Life was hardest hit: Its 335.4 pages were down 19.8%. *National Geographic Traveler's* 214 pages marked a 4.6% drop; *Endless Vacation*, with 184.9 pages, was down 19.2%.

Gourmet, a strong competitor for travel ads, carried 893.1 ad pages through October, a 13% drop. □

Top 10 magazine ad categories by revenue

Category	1991 revenue	% chg	1991 pages	% chg
Automotive*	$719,199,510	(0.86)	12,512.8	(8.06)
Toiletries & cosmetics	$521,623,359	(4.79)	10,942.2	(12.57)
Direct response cos.	$460,143,231	6.11	14,779.5	(2.42)
Business & consumer svcs.	$355,298,489	(15.52)	9,288.9	(18.7)
Food	$348,992,254	(7.71)	5,568.9	(13.47)
Apparel**	$340,892,099	(5.29)	11,211.9	(9.31)
Travel, hotels & resorts	$296,049,538	(8.22)	9,462.3	(8.56)
Cigarettes & tobacco	$228,862,868	(5.08)	3,825.6	(7.49)
Computers & office equip.	$217,092,096	1.36	4,555.6	(3.13)
Liquor	$160,683,706	(0.88)	3,350.7	(3.33)

Revenue and page figures are from January-October 1991. *Includes accessories and equipment. **Includes footwear and accessories. Source: Publishers Information Bureau

COVER STORY

By Janice Kelly

Cover Story is a monthly ranking of celebrities' popularity as reflected by their appearances on the covers of more than 30 of the nation's leading publications.

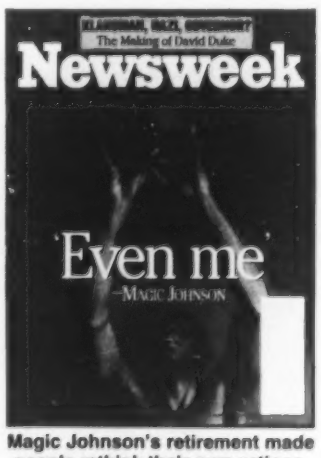
L.A. Lakers superstar **Earvin "Magic" Johnson** outscored everyone appearing on November magazine covers.

Mr. Johnson's retirement from professional basketball after testing positive for HIV generated an avalanche of coverage.

His cover appearances earned 12 points on the Cover Story index, which assigns points based on factors such as publication frequency and prominence of photos.

Tied for second place with 9 points were **Jodie Foster**, as attention continued for her directorial debut with "Little Man Tate," and **River Phoenix**, who co-stars in the critically acclaimed film "My Own Private Idaho."

Fourth place with 8 points went to **Elizabeth Taylor**, a perennial favorite for supermarket tabloids that chatted up her recent marriage and lifestyle.



Magic Johnson's retirement made people rethink their own actions.

A tie for fifth place gave 7 points each to director **Spike Lee** as stories addressed the growing controversy about production of his film about Malcolm X, and **Keanu Reeves**, who co-stars in "My Own Private Idaho."

Michael Jackson took seventh place with 6 points after the debut of his video "Black or White." Some coverage focused on the pending release of his album "Dangerous"; other stories discussed Mr. Jackson's family and sibling rivalry with brother Jermaine.

Eighth place saw a 5-point tie between talk show host **Joan Rivers**, with stories about her plastic surgery and her book "Still Talking"; new United States Associate Justice **Clarence Thomas**, who said he'll get over controversy surrounding his confirmation hearings through prayer and family support; actress **Anjelica Huston**, who stars in "The Addams Family"; and basketball superstar **Michael Jordan.**

Rounding out the survey with 4 points each were two larger-than-life TV stars: **Roseanne Barr** and **Delta Burke.** □

Joe Mandese coordinates MediaWorks.

NYT Co. travel title planned

NEW YORK—The New York Times Co.'s *Child* and *The New York Times Magazine* in the spring will launch *Family Travel*, an annual with initial distribution of 1.6 million copies.

Magazine ad page leaders

Publishers Information Bureau figures for January through October 1991.

Rank	Magazine	Pages	% chg	Dollars	% chg
1	Business Week	2,789.22	(18.8)	168,355,665	(13.5)
2	Forbes	2,784.28	(12.6)	122,819,928	(10.7)
3	Bride's	2,571.59	(5.2)	47,937,602	(0.2)
4	People	2,492.89	(11.1)	258,930,317	(2.5)
5	Fortune	2,330.68	(15.9)	120,955,259	(9.2)
6	Modern Bride	2,199.29	1.1	35,428,242	(0.1)
7	Vogue	2,127.02	(13.8)	85,678,721	(4.2)
8	The Economist	1,982.83	(9.9)	19,033,864	(1.0)
9	TV Guide	1,939.72	(19.7)	225,777,704	(13.4)
10	Sports Illustrated	1,828.04	(12.4)	247,843,673	(5.0)
11	New York Magazine	1,728.80	(16.6)	29,882,630	(10.3)
12	Time	1,669.50	(22.7)	251,370,187	(16.7)
13	Cosmopolitan	1,633.00	(7.7)	106,561,930	0.1
14	Entrepreneur	1,630.59	(3.1)	17,936,402	10.1
15	U.S. News & World Report	1,539.08	(4.7)	131,312,771	2.2
16	Newsweek	1,495.68	(16.8)	176,182,598	(12.3)
17	The New Yorker	1,424.87	(19.8)	38,265,059	(15.4)
18	Elle	1,415.15	(24.2)	46,940,513	(14.6)
19	Glamour	1,389.73	(10.7)	75,435,240	(4.1)
20	Rolling Stone	1,379.21	(10.3)	56,910,107	(1.5)
21	American Way	1,334.55	(8.0)	19,168,098	(4.2)
22	Golf World	1,298.82	2.1	11,528,497	13.1
23	Good Housekeeping	1,289.26	(7.1)	133,993,012	1.7
24	GQ	1,273.89	(21.1)	34,514,946	(12.1)
25	Skin Diver	1,199.74	(1.5)	12,145,946	6.3
26	Family Circle	1,196.10	(11.2)	102,292,184	(6.8)
27	Ladies' Home Journal	1,193.87	(1.7)	92,157,168	5.6
28	Muscle & Fitness	1,172.23	13.1	21,432,641	20.6
29	Yachting	1,163.62	(14.8)	7,610,499	(10.2)
30	Sunset	1,133.40	(7.6)	34,686,054	(8.9)
31	Texas Monthly	1,106.11	(1.7)	12,938,756	1.2
32	Parents	1,097.39	(6.1)	48,925,607	3.9
33	Travel & Leisure	1,095.29	(3.0)	47,161,983	1.5
34	Vanity Fair	1,082.80	(7.6)	38,750,610	(2.2)
35	Mademoiselle	1,067.58	(16.3)	37,934,804	(8.5)
36	Popular Photography	1,060.43	4.2	25,404,937	3.9
37	Car & Driver	1,053.04	(2.0)	42,813,636	4.0
38	W Magazine	1,046.19	(13.0)	24,852,128	(9.8)
39	Better Homes & Gardens	1,037.84	1.5	128,854,190	10.5
40	Architectural Digest	1,031.22	(31.2)	29,066,756	(26.5)
41	Woman's Day	1,022.52	(12.1)	78,491,140	(5.9)
42	Golf Digest	1,019.12	(6.5)	59,526,203	6.6
43	Southern Living	993.40	(4.7)	50,824,466	(3.9)
44	Money	959.43	(2.2)	65,715,730	7.1
45	Road & Track	897.53	(5.1)	27,709,097	(0.7)
46	Gourmet	893.06	(13.0)	26,505,473	(2.3)
47	Redbook	889.46	(6.3)	59,007,515	(2.3)
48	Golf Magazine	880.09	(9.0)	33,329,225	2.2
49	Jet	858.40	(2.7)	15,279,243	2.4
50	Harper's Bazaar	856.67	(27.0)	25,443,809	(17.2)
51	Conde Nast Traveler	856.42	(0.3)	25,418,114	6.9
52	Town & Country	835.73	(33.7)	23,418,439	(24.1)
53	McCall's	835.42	3.5	66,118,056	11.6
54	Seventeen	822.75	(22.9)	29,458,598	(9.3)
55	Bicycling	801.29	(8.4)	12,198,058	(0.2)
56	Country Living	782.75	(12.5)	35,638,921	(1.9)
57	Inc.	781.21	(14.2)	34,937,043	(6.9)
58	Salt Water Sportsman	779.32	(18.8)	5,510,973	(11.2)
59	Four Wheeler	771.28	(6.9)	6,998,584	6.6
60	Self	765.72	(27.8)	31,228,275	(20.4)
61	Ebony	764.39	(10.3)	29,605,248	(2.0)
62	Mirabella	761.36	(14.0)	16,694,763	15.1
63	Black Enterprise	759.57	(1.2)	11,291,247	10.2
64	San Francisco Focus	752.68	(22.8)	5,216,585	(19.7)
65	HG	747.75	(14.8)	20,109,522	(6.7)
66	Entertainment Weekly	733.96	8.2	18,001,480	25.0
67	Esquire	732.86	(26.7)	24,357,381	(22.8)
68	Bon Appetit	731.88	(10.7)	23,441,133	(6.9)
69	Outside Magazine	707.54	8.9	14,665,844	23.5
70	Reader's Digest	701.82	(18.7)	77,754,182	(13.2)
71	Motor Trend	683.38	(10.4)	27,140,228	(2.9)
72	Parenting	681.93	9.2	15,823,958	44.1
73	Compute	681.24	589.5	6,036,824	607.6
74	Smithsonian	679.04	(13.0)	30,103,747	(10.2)
75	Metropolitan Home	677.27	(26.6)	24,717,232	(16.5)
76	Automobile Magazine	664.01	3.1	17,283,058	37.2
77	Working Woman	659.85	(21.1)	22,280,241	(15.7)
78	Sports Afield	652.76	(4.4)	13,937,763	3.8
79	Essence	652.41	(10.3)	18,522,757	0.7
80	Field & Stream	644.48	(3.2)	29,950,830	1.9
81	Delta Sky	644.20	(10.0)	18,013,565	0.1
82	Ski	643.80	3.7	12,723,177	2.3
83	Outdoor Life	634.61	(7.7)	21,780,307	1.1
84	Penthouse	619.53	19.6	25,101,063	18.5
85	Parade*	619.17	4.3	318,085,443	11.3
86	Tennis	617.99	0.7	21,761,732	5.0
87	Hot Rod	616.06	(9.6)	15,864,121	(3.7)
88	Playboy	612.53	7.8	39,940,032	5.2
89	New Woman	609.63	(22.7)	16,739,141	(13.4)
90	House Beautiful	604.73	(1.3)	25,214,152	11.1
91	Popular Mechanics	592.54	(13.2)	20,954,266	(3.3)
92	Popular Science	588.02	(6.0)	18,146,343	2.5
93	Shape Magazine	564.97	6.2	9,376,287	(2.9)
94	USA Weekend*	562.73	0.8	111,698,719	16.4
95	Yankee	560.80	(12.1)	7,230,174	(7.3)
96	Working Mother	559.73	(7.1)	13,544,216	(4.0)
97	Omni	557.67	11.0	15,267,198	(3.3)
98	M Inc.	552.28	(21.4)	7,681,967	(9.0)
99	Financial World	550.95	(35.0)	13,599,103	(31.7)
100	Premiere	542.09	(12.5)	10,955,362	(1.4)

Percent change compares January-October in 1991 with 1990. *National Sunday magazine; tracked separately by PIB. Source: Publishers Information Bureau

ADREVIEW

Diet Coke raises the dead to star with Elton John

Garfield

By Bob Garfield

Wait'll you see the new Diet Coke spot. Lintas:New York has employed a digital computer-generated genetically engineered cold-fusion matting process, or something, to bring Humphrey Bogart, Jimmy Cagney, Louis Armstrong, Elton John and a bunch of extras all together on one stage. Truly amazing. Real "Hey, Blanche, get a load of this!" stuff.

The Bogie-Cagney-Satchmo action is plucked from the movies, colorized and somehow superimposed on a nightclub scene with Mr. John as the headliner. It's seamless and wonderful, displaying astonishing technical virtuosity and raising two immediate questions: 1) How did they do that? (Answer: Beats me) and 2) What is it lately with the Coca-Cola Co. and technology?

In spite of its essential Cokeness, with all the tradition and sentiment and unmatched brand reverence it represents, and despite its astonishing global soft-drink dominance, Coca-Cola is obsessed with Pepsi-Cola's youthful image in the U.S., and has been trying desperately, pathetically to approximate it.

Pepsi-Cola signs hot entertainers; Coca-Cola signs tepid ones. Pepsi leverages its celebs around its brands; Coca-Cola merely trots them out there singing and dancing. Pepsi does funny ads built around the brands; Coca-Cola does unfunny "humorous" ads, scarcely about the brands.

Rating: ★ ★ ★

Pepsi contrives vast productions that emphasize the Pepsi image; Coca-Cola uses vast productions as a substitute for a coherent image.

Failing to match Pepsi with words and ideas, Coca-Cola and its agencies increasingly have turned to technology, though it would be more accurate to say technology has turned on them.

Cagney seems young and in the pink in an amazing new ad for Diet Coke, but Elton John, in hat above, is getting on in years, isn't he?

Forgetting for a moment the flavor technology that led to the New Coke debacle, we've seen botched 3-D ads in 1989; the surround-sound gimmick in 1990, a nifty effect drowned out by the commotion of 60 million Super Bowl parties; the MagiCan promotion fiasco, and the failure of specially rigged containers to surprise and delight lucky Coke customers (Clarence Thomas doesn't count); and finally the live-television "Crack the Code" sweepstakes, canceled at the last minute due to war in the Gulf, already in progress.

Now, at long last, they've succeeded—at least technically. People will love this ad no matter how well it sells, which is not very.

The problem starts with the jingle. The volume and bombast of Elton John's overarrangement obscure the lyrics and thus also the explanation for why—apart from sheer gee-whizardry—Cagney, Satchmo and Bogart are resurrected. It is because they, like just-1-calorie Diet Coke, are "just one" of a kind.

There's just one, and there's no mistakin' it/One, no way of fakin' it/One, for that real attraction/One, for the satisfaction/-One, just for the feeling/Diet Coke, just for taste. One calorie/Just for the cool . . . Just for the taste, Diet Coke.

A more than satisfactory bit of wordplay, lost in the din. Another puzzlement is why Lintas stints on the majorly cool movie-idol effects and lingers repeatedly on Mr. John, whose last hit song, not counting "Just for the taste of it," was popular, I believe, during the Coolidge administration. It speaks to Coca-Cola's notion of the pop-culture vanguard that its lead presenter, in order to seem contemporary, must be surrounded by dead people.

On the other hand, he's a fitting host for this crowd, being the first major entertainment property retouched via colorization. Here he's wearing candy-apple specs, red satin bowtie and the motley, bejeweled garrison cap of Post 2136, Senegal Veterans of Foreign Wars. So very, very '70s. So very, very forced.

So very, very Coca-Cola Co. □

Brands

(Continued from Page 18)

low and consumers use those low prices as a benchmark.

"Right now, discount retailers are using brands as power, because they can price lower than supermarkets. But at some point, when the low-price philosophy has become the norm, the retailer will have to find new ways of doing his price philosophy."

That's when the forecasts get *really* interesting.

"When the retailer needs to get a price advantage, he can try to cut his own costs further or work out an arrangement for a new line of products that only he can carry," Mr. Hoffman says. "And that's where private-label could come in."

It's already happening. Although Wal-Mart has built itself with national brands, the retailer is experimenting with a Sam's American Choice brand of soft drinks and juices. Chairman Sam Walton's signed message on the cans reads: "Innovative products, made to our own standards, that we're proud to call Sam's American Choice. We believe these products, available only at Wal-Mart, offer better value than the leading national brands."

Northwestern's Mr. Schultz asks: "Brands won't go away, but will they be manufacturer brands, retailer brands or someone else's brands?"

Perhaps manufacturers will be able to tweak products enough to give each retailer something distinctive.

"There may be brands to be developed specifically for those kinds of outlets," says ConAgra's Mr. Rahn.

Mr. Doolittle points to an emerging trend he calls "divisive packaging": Manufacturers split products into different packaging to create a unique assortment for each retailer.

"We're giving different retailers different combinations of merchandise and working out different promotions so no one has exactly the same program" this Christmas season, says Donna Gibbs, Mattel's director of media relations.

Wal-Mart's wholesale Sam's Club chain this fall got a unique version of Mattel's popular "Bathtime Barbie" with a bathtub, packaged together for an end-aisle display that no other retailer has.

Another point of difference for national brands could be a *higher* price.

"Price is one of the lost variables in marketing; companies are blatantly using low price as a tool, assuming that low price is better. Maybe it's not," says Mr. Stibel of New England Consulting Group.

One of the real fears for brand marketers is that retailers will create brand loyalties not just with private-label goods but with a broader store image. Consumers can shop the Wal-Mart brand —"always the low price"—trusting they will get the best deal in each product category. Does it matter if that "best deal" is on Colgate, Crest or Aqua-fresh?

"It's reached a point where the manufacturer-retail circus is getting so out of control that brands don't have as much meaning as they used to. . . . People are transferring their loyalty from the brand to the retailer," Mr. Doolittle says. "It's hard to get people to give up on brands, and the fact that brands are important to consumers is part of the reason discounters have been so successful. But brand marketers are going to lose some ground as a result of all this change in the retail sector."

Planning for the future

Marketers and conventional retailers need to learn how to deal with the new discount channel now —"rather than waiting till we're forced in the year 2000," says Mr. Hoffman of Corporate Strategies.

Almost everyone in marketing agrees: In the face of this level of retailer power, manufacturers tempted to reduce marketing costs must resist.

"As a consumer-goods marketer, you have leverage to the extent that the customer wants your product. . . . " says Mr. Furash of Deloitte & Touche. "Some products regularly are sold below cost, because the manufacturer is able to command a premium in the consumer's eyes. The consumer draws that product through the channel even though retailers don't make money on it. A product like that is the closest thing to a diamond you can get in this industry."

Even those companies who've already struck long-term deals with discounters need to be vigilant.

"The man who has an exclusive deal with Wal-Mart has to know that he got that deal on price and that tomorrow a competitor will come in with a lower price," Mr. Stibel says. "When that happens, that manufacturer must . . . through product quality and consumer marketing, have convinced his retail customers that the product can't be dropped."

"Brands won't go away, but will they be manufacturer brands, retailer brands or someone else's brands?"

Marketers have seen the danger of cutting advertising too far.

"I see a trend toward companies making a serious effort to reallocate money to media, thereby streamlining promotion," says Maurice Kelley, VP-marketing services at SmithKline Beecham Consumer Products. "We've overdone the price thing in stores . . . and brand loyalties have eroded a tad there."

Brands' worst enemy

Protecting established brand equity and mining new "diamonds" isn't easy, though. Unfortunately, many experts believe the package-goods marketers themselves—their organizational setups and corporate mentalities—represent the worst threat to brand health and the greatest obstacle to developing breakthrough products.

Corporate megamergers brought brand equity into the spotlight during the '80s. But Wall Street's increased input in brand decisions and the huge bureaucracies that have developed at the megamarketers have left companies unable to properly manage those equities.

A lack of integrated marketing systems is a key problem that leading ad agencies and marketers are trying to address with executive training programs and new organizational setups.

"Corporations are not set up to handle brand equity," Burnett's Ms. Douglas-Tate says. "Decisions aren't based on the brand's needs."

Bureaucracies don't produce the best new products, either. Despite a general belief that the supermarket is saturated with undistinguished products, new items are racing into supermarkets—and failing at a faster and faster rate. The most innovative new products of the recent past, from Gatorade to Budget Gourmet to Iams dog food to Chicken by George, usually have been developed outside the expansive research & development departments of the leading package-goods marketers.

While small companies are launching breakthrough concepts, many larger marketers lament their overreliance on line extensions.

"The line extension strategy is going to play itself out at some point; it can't go on forever," says Mr. Pirko of Bevmark.

But the difficulty and expense of establishing a truly new brand name will force marketers to continue using their existing brands as umbrellas for new products—but with better-defined extensions.

"I think megabrands with microvarieties is the future of brands," says Burnett's Mr. McQueen, whose agency works on several, like Procter & Gamble Co.'s Cheer detergent.

Big marketers can score big hits, too—and not just with line extensions. The food industry's hottest brand remains ConAgra's Healthy Choice, which seeks to revolutionize the rest of the supermarket in the way it's dominated the freezer case in the past three years.

"We've gone through and analyzed why Healthy Choice worked," Mr. Rahn says. "Last February, at a management presentation, we agreed that one reason for its success was that there was a singular focus from the beginning on what it was. The objective was clear, the mandate from on top was there—but we were left alone to develop it. [Chairman-CEO] Mike Harper told us what he wanted, but he was not an interferer."

"We're seeing top management getting more and more actively involved in new products," says consultant Mr. Bredine. "Plus, companies are trying to find ways to reward people for developing new products."

That's one positive trend for new products and brands. Tangible new product and brand opportunities may also exist in consumers' interest in eating right and being environmentally correct.

Package-goods companies also have a perhaps underutilized chance to build consumer loyalty to broader, more corporate identities.

With billions of dollars at stake, package-goods marketers won't give up on brands despite the challenges emerging in the '90s. And they won't stop mining for gold, because of the power potential of a strong brand name.

"In the end, there are only a couple of things a company has—its people and its brands, both the trademarks and the good will they carry with consumers," says John Blair, VP-marketing services and new ventures for Quaker Oats Co. "And once you have a brand that's established in the minds of consumers, it's a crown jewel." □

Kate Fitzgerald contributed to this story.